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Some wait to decide on passive restraints

By Dave Zeltz
AUTOMOTIVE NEWS STAFF REPORTER

Most car manufacturers will install automatic seat belts and a few will offer air bags to meet federal passive-restraint requirements that go into effect for the 1987 model year.

But several firms still haven't decided how they'll comply with the NHTSA mandate.

Because the law requires passive restraints on just 10 percent of the cars sold in the United States in the 1987 model year, many of the low-volume carmakers are putting off a decision on what system to use, which models to offer it on and how to market it.

Even some high-volume companies, such as Honda and Hyundai, say they still haven't finalized their passive-restraint planning.

Several of those that have a firm program won't begin producing cars equipped with passive restraints until late in the model year.

Subaru will put passive belts on the XT Coupe next March, and Isuzu will wait until June and the introduction of its 1988 model Impulse before it installs its first automatic belts. Peugeot will offer a belt system at midyear.

Some makes won't offer passive systems at all on 1987 models.

Because compliance will be measured on a corporate basis, it isn't necessary for every marketing division to offer cars equipped with passive restraints. Buyers of Chevrolet, Cadillac, Audi, Lincoln and Merkur vehicles will not be offered passive restraints in 1987.

General Motors has chosen to meet the federal requirement by making stationary passive belts standard on its N- and H-body cars for 1987.

Neither Chevrolet nor Cadillac have models in the N- or H-body lines. However, the two divisions will participate in another GM first, three-point rear-seat harness systems. The rear three-point belts will be standard on Chevrolet Corsica/Beretta, Oldsmobile Toronado, Buick Riviera and Cadillac Eldorado and Seville for 1987.

Volkswagen of America will offer passive belt systems on most Golf and Jetta models, but will not make the devices available on any Audi vehicles.

Volkswagen is the only company so far that will permit buyers to refuse the passive belts if they don't want them.

American Motors will have passive belts in certain Alliance models, but will not have such systems available on its imported

see RESTRAINTS, page 0

GM PLOTS ITS MARKETS

AUTOMOTIVE NEWS CHARLOTTE BUREAU

4 GM car divisions are repositioned in effort to help sales

By Jesus Sayter
AUTOMOTIVE NEWS STAFF REPORTER

General Motors is repositioning four car divisions to shore up eroding sales. It is GM's largest marketing shift since its 1984 reorganization.

In the repositioning:

- Buick and Oldsmobile will switch assigned marketing images — the fate each presents to the public — during the next four years, starting this fall. That will make Oldsmobile the more contemporary nameplate while Buick downplays its sporty T-types and returns to traditional luxury.
- Pontiac and Saturn Corp. also have swapped positions on GM's future marketing charts. When the Saturn car is introduced in 1989, it will be positioned as sportier and less expensive than Pontiac. In the original 1985 concept, Pontiac was to be sportier and less expensive than Saturn.
- GM's strategic planners are still trying to fill a void in the luxury-performance segments with imports from GM's Adam Opel subsidiary in West Germany or another European maker.

The options, which still have not been narrowed down to a proposal for senior management, include importing Opels as "captive" Buicks, Oldsmobiles or Cadillacs; setting up a new division with separate distribution network; or marketing Opel as a separate brand sold by Buick or Oldsmobile dealers a la Ford Motor Co.'s Merkur.

Another option — considered unlikely after GM efforts to buy BMW, Jaguar and others failed last year — is to acquire an established European automaker and make it a seventh car division in the United States.

GM is basing its marketing plans on maximizing its profitability with a smaller market share, although GM denies that losing share is inevitable despite a more fragmented market and more competitors.

GM's share of the total U.S. car market was 39.8 percent in August.

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Plymouth to try simple approach

By Mary Connelly
AUTOMOTIVE NEWS STAFF REPORTER

Chrysler Motors is using Plymouth to test a simplified manufacturing and marketing philosophy.

Plymouth in the 1987 model year will offer only one version of the Sundance, a new, upscale compact. Dodge will have two versions of the sister vehicle, the Shadow.

Two-door models went into production last week at Chrysler's Sterling Heights assembly plant. More than 20,000 four-door models have been shipped since production began in May.

Sundance is viewed as an extension of Chrysler's streamlined manufacturing and marketing philosophy first applied last spring on the 1987 Plymouth Horizon and Dodge Omni America models.

"We're taking the lead," said Joseph N. Caddell, Plymouth general marketing manager. "Our future vehicles will have that same kind of philosophy."

Sundance is priced slightly higher than Shadow and contains "slightly more content," Caddell said. Two-door models start at $7,499 for Shadow and $7,599 for Sundance.

"There is not a base car with options," Caddell said. "There is only one Sundance."

Chrysler's philosophy of simplification for both Sundance and Shadow includes offering only "convenience items" such as air conditioning, power windows and upgraded sound systems, as options.

Features such as gauge instrumentation, tachometer, split folding rear seat and velour trim become standard in Sundance, Caddell said.

Chrysler is pushing to simplify products to gain manufacturing efficiencies and a marketing edge.

see PLYMOUTH, page 50

Lido

The car, not the man

The proud parents, Lido A. "Lee" Iacocca and Alejandro DeTomaso, have reportedly agreed on a name for their joint-venture, luxury-sports-coupe offspring.

Detroit radio station WJR-AM personality J.P. McCarthy said in a broadcast last week that the Chrysler-Maserati coupe will be called the Lido. It will be introduced as a 1989 model.

Iacocca

Iacocca said in January that he and Maserati chief DeTomaso had been unable to christen the car because the Italian executive wanted an Italian name and the American executive wanted an American-sounding name.

The joint-venture car was known only as the Q-coupe, its project name, until getting the first name of an executive — a rarity for domestic makers that had happened with the Essex.

An executive says the name is "probably the most closely guarded secret" at Chrysler.

Study offers cure for U.S. cost penalty

By Dave Zeltz
AUTOMOTIVE NEWS STAFF REPORTER

A newly published study maintains that reductions in hourly job classifications could nearly eliminate the differential in automobile manufacturing costs between the United States and Japan.

The analysis of small-car transaxle operations indicates that a model labor contract could pull the United States nearly even with Japan and ahead of South Korea in component production costs.

The analysis was presented in an article by Daniel D. Luria in the September-October edition of the Harvard Business Review.

Luria, a senior researcher at the Industrial Technology Institute, based in Ann Arbor, Mich., produced the cost analysis for the Auto-in-Michigan Project, a program to determine the role of the auto industry in Michigan's future.

Luria is director of the project, established by the Michigan Department of Commerce and the University of Michigan.

According to Luria's model, it costs $311.43 to produce a small-car manual transaxle in the United States today, compared with

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at 3½-year high
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Seven lines launch
1987 product lineups
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NEWSPAPER

Protesters at Yugoslav ethnic festival in Detroit call for Yugo boycott.

Yugo drops lawsuit, apologizes to Toyota

By John A. Russell and Matt DeLorenzo
AUTOMOTIVE NEWS STAFF REPORTERS

Yugo America Inc. last week dropped its lawsuit against Toyota Motor Sales U.S.A. The suit alleged that Toyota threatened and coerced two Yugo-Toyota dealerships into terminating their relationships with Yugo.

In addition, Yugo paid Toyota $35,000 to defray Toyota's legal fees and expenses.

Yugo said that its suit "was based on information which, after the case was filed, turned out to be unfounded."

Yugo President William E. Prior, sent a letter of apology to Toyota and its senior vice president, Robert McCurry, also a defendant.

McCurry said Yugo's withdrawal of the action vindicates Toyota and added that the apology by Yugo means the entire matter was a publicity stunt in the first place.

"This is an absolute victory for Toyota," McCurry said. "Yugo was forced to drop its suit when the witnesses they called said under oath that the charges against TMS and at me were false."

He added, "We consider (Prior's) written apology . . . to be an admission that Yugo's suit was an obvious publicity grab."

"We aren't," McCurry said.

Informed of McCurry's comments, Prior said this was a settlement, not a victory for Toyota.

He said the real reason the suit was dropped was that Yugo was being forced by the court to reveal the identity of "XYZ Toyota," a New York-area dealership which refused to drop Yugo, but was unnamed in the suit because of fear of retribution by Toyota. Prior said Yugo decided to honor its commitment to the dealer and not reveal the name.

That weakened the case, Prior said. He said another reason for dropping the suit was that Toyota's legal tactics were "costing tons of money." He vigorously denied the publicity aspect.

Yugo filed the suit March 18 in Federal District Court in Los Angeles. It also charged Toyota, Toyota Motor Distributors and McCurry with violations under the federal Racketeering Influenced and Corrupt Organization Act and with violations of California law.

Yugo letter rebuts dissidents

Yugo dealers in the United States are receiving letters from the car's U.S. importer and distributor labeling information circulated by a dissident Yugoslav political group as "untruths."

William E. Prior, president of Yugo America, has written the Yugo dealers to rebut charges in letters sent to dealers in August by the Croatian National Congress.

The group, which says it has a worldwide membership of 4,000 to 5,000, opposes the Yugoslav government and export of the Yugoslav-made subcompact Yugo GV to the United States.

In the letter to dealers, Prior called members of the group political extremists, and he rebutted the claim in the group's August letter that export production was halted indefinitely because of the inability of suppliers to deliver parts.

Prior reiterated statements that no work stoppage occurred at the Yugoslav plant or at plants of its vendors. The letter said 80 percent of the factory was closed for a traditional collective July-August vacation and that full production resumed as planned Aug. 20.

In a related action, the Croatian National Congress was among those supporting a boycott of the Yugo that was urged during a protest of the Yugoslav ethnic festival in Detroit on Sept. 7. The group told Yugo dealers of the boycott in its August letter.

The demonstration was planned by some people of Croatian and Albanian descent. During the event, an attempt reportedly was made to set fire to a Yugo on display.

The $3,990 Yugo GV went on sale in the United States in August 1985.

Import stockpile at 3½-year high

By Kathleen Hamilton
AUTOMOTIVE NEWS STAFF REPORTER

Inventories of imported cars inched upward once again last month to open September with a 41-day supply — the fattest days' supply in 3½ years. Meanwhile, the stockpile of imported light trucks climbed to the highest unit count on record.

The month opened with 437,297 imported cars in stock — at U.S. docks, in transit to dealerships and in dealerships. The figure is slightly below the Aug. 1 inventory of 443,244.

Inventories have been hovering above 400,000 for three months, but before this, the 400,000 mark hasn't been seen since 1981. For example, the latest stockpile is nearly half again as large as that of a year ago (293,268) and more than double that of two years ago (184,513).

Nevertheless, before quotas, the ideal import days-supply level was considered to be 65 days — a figure some Europeans still strive for. So this month's 41-day supply is still pretty lean. It compares to an Aug. 1 supply good for 40 selling days and a year-ago supply good for 29 selling days.

The combination of higher quotas, higher prices caused by exchange-rate changes and incentive programs by the domestics continued to take a toll on the imports last month as the average daily selling rate declined, thereby pushing up inventories.

The fairly steady-looking supply of Japanese cars (40 days this month versus 37) is a bit deceiving. The sales rate — on which the days-supply figures are based — declined significantly, but fewer cars landed on the docks. Similarly, the selling rate for German cars declined for the month, and that hiked their days-supply levels.

By country of origin, the stockpile was split this way on Sept. 1: Japan, 70.00 percent; Germany, 17.93 percent; and other countries, 12.07 percent.

The Japanese makes averaged a 40-day supply on Sept. 1. Breakdown by make and days: Chevrolet Spectrum, 104; Chrysler captives: 99; Isuzu, 85; Mitsubishi, 60; Chevrolet Sprint, 54; Subaru, 52; Nissan, 48; Mazda, 47; Acura, 29; Toyota, 17; Honda, 7.

The average for German makes was 57 days: Audi, 120; Merkur, 96; VW imports, 55; BMW, 50; Porsche, 37; Mercedes-Benz, 32.

Average for cars from other countries was 32 days: Renault, 121; Peugeot, 90; Volvo, 39; Yugo, 37; Saab, 31; Jaguar, 29; Alfa Romeo, 28; Hyundai, 23.

TRUCKS: The Sept. 1 light-truck stockpile of 209,059 units was the highest since Automotive News began tracking import-truck inventories in 1982. The latest stockpile is equivalent to a 75-day supply, up from 49 days a month earlier when there were 200,849 trucks in stock, and the heaviest days-supply figure since May 1, 1983, when there were 78 days' worth of import trucks in inventory. On Sept. 1 a year ago, there was a 20-day supply of trucks, or 99,748 units.

Combining imported cars and trucks, there were 646,356 imports in the United States on Sept. 1, a 48-day supply. The stockpile was slightly higher than the Aug. 1 count of 643,893 units (43 days) and well above the year-ago count of 393,016 vehicles (33 days).

In fact, the combined car-truck unit count is the highest in Automotive News' records, and the days-supply figure is the largest since Feb. 1, 1983, when there was a combined 52-day stockpile.

IMPORT DAYS' SUPPLIES

	Sept. 1 1986	Aug. 1 1986	Sept. 1 1985
Spectrum	104	138	79
Sprint	54	94	62
Chevrolet	85	120	74
Chrysler Corp.	99	99	42
Acura	29	32	0
Honda	7	11	9
Isuzu	83	145	92
Mazda	47	34	23
Mitsubishi	60	87	18
Nissan	48	47	26
Subaru	52	46	22
Toyota	17	13	12
JAPAN	40	37	21
Audi	120	104	51
BMW	50	27	59
Mercedes-Benz	32	31	40
Merkur	96	73	117
Porsche	37	40	56
VW	55	62	66
GERMANY	57	52	57
Alfa Romeo	28	33	24
Hyundai	23	n/a	0
Jaguar	29	20	25
Peugeot	90	86	77
Renault	121	198	297
Saab	31	42	40
Volvo	39	53	41
Yugo	37	52	0
OTHER COUNTRIES	32	50	49
TOTAL CARS	41	40	29
Isuzu	101	103	29
Mazda	50	48	12
Mitsubishi	46	97	15
Nissan*	144	84	35
Suzuki	33	16	0
Toyota	52	23	12
Chrysler	136	116	38
LIGHT TRUCKS	75	49	20
CAR-TRUCK TOTAL	48	43	26

*Includes domestic trucks

Drug-drink tests due at Toyota's Kentucky plant

FRANKFORT, Ky. — Prospective employees of Toyota Motor Corp.'s auto-assembly plant in Scott County must pass drug and alcohol tests as a prerequisite for employment, state officials said.

Drug tests "have been a part of the discussions since right after the announcement" in December that Kentucky had landed the $800 million factory, said James P. Daniels, commissioner of employment services. His agency has set up a state-subsidized procedure by which Toyota will select and train workers for the plant.

He said Toyota officials made it "perfectly clear" that testing for drug and alcohol abuse was one of their requirements. Daniels said the state Department of Employment Services, which will help screen applicants for Toyota, will be "up-front about it. If you have those problems, there's no sense in wasting everybody's time. It will be mandatory."

A Toyota official said the company feels the testing "is necessary to ensure the safety of all workers at the plant." — Associated Press

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Kentucky approves training funds for Toyota

By Mark R. Chellgren
THE ASSOCIATED PRESS

FRANKFORT, Ky. — A legislative committee has given final approval to the $55 million training package offered to Toyota Motor Corp. as part of the incentives to attract the Japanese automaker to build its assembly plant in Kentucky.

Funding for the training and other items in the incentive package was included in the budget approved by the 1986 General Assembly, but the approval of the Personal Service Contract Review Subcommittee also was required because the state has a pact with the company to carry out the training.

The training package includes the first six months' salary of the 3,000 people hired at the Scott County plant, payments to thousands of prospective workers and trips to Japan for selected employees.

About $33 million in state General Fund money will pay for part of the training with another $22 million coming from federal Job Training Partnership Act funds, according to James Daniels, commissioner of the Department for Employment Services.

Also included is $10 million to be paid for construction and operation of a facility on the 1,600-acre plant site. That part of the project is expected to be funded with economic development bonds.

The subcommittee approved the contract with one dissenting vote by Rep. Woody Allen, R-Morgantown. Allen was critical of the training program because there are no guarantees about the number of Kentuckians to be employed or their wages.

About 9,000 job applicants will be selected to go through a 30-hour assessment session during which they will be paid $5 per hour. About 6,000 of those will be selected for further orientation during which they will be paid $5 per hour for a 120-hour program.

When hiring is completed, 600 employees will be sent to Japan with the state paying all travel costs. Half of those employees will make two trips to Japan.

The state will also pay the travel costs for 100 instructors from Japan to come to the United States.

The state will pay salaries of most employees during a six-month probationary period. A salary of $10.20 per hour, plus fringe benefits of $2 per hour, will push the cost of that on-the-job training to $38.06 million.

Daniels said every employee — from administrative staff to assembly line workers — will be covered by the training appropriation.

About $22 million of the commitment will come from federal Job Training Partnership Act funds, Daniels said. The rest will be state General Fund dollars.

1987 MODEL YEAR PASSIVE RESTRAINT PLANS

Company	Models	Type of Passive Restraint System	Availability	Minimum Units To Meet Standard*
Alfa Romeo	Spyder Quadrifoglio	Motorized Belts	Not Determined	500-700
American Motors	Alliance, L & DL Sedan & Hatchback	Belts	Standard	7,000-9,000
Renault (Jeep/eagle)	None			
Aston-Martin	Not Determined	Belts		7-10
BMW	L7 7 Series	Driver's Side Air Bags Driver's Side Air Bags	Standard Available Next Spring	8,000-10,000
Chrysler Motors				120,000-130,000
Chrysler-Plymouth	LeBaron Conquest	Belts Motorized Belts	Standard Standard	
Dodge	Daytona	Belts	Standard	
Ford Motor Co.				190,000-200,000
Ford	Escort Tempo	Motorized Belts Driver's Side Air Bags	Standard After Dec. 1 Optional	
Mercury	Lynx Topaz	Motorized Belts Driver's Side Air Bags	Standard After Dec. 1 Optional	
Lincoln	None			
Merkur	None			
General Motors				450,000-475,000
Chevrolet	None			
Pontiac	Grand Am Sunbird	Belts Belts	Standard Standard	
Oldsmobile	Calais 88	Belts Belts	Standard Standard	
Buick	Somerset-Skylark LeSabre	Belts Belts	Standard Standard	
Cadillac	None			
Isuzu-Acura	Not Determined			60,000-70,000
Hyundai	Not Determined	Belts		10,000-12,000
Isuzu	Impulse	Motorized Belts	Standard on '88 Model (June intro)	3,500-4,000
Maserati	Not Available			
Mazda	626 4-dr.	Motorized Belts	Standard	20,000-25,000
Mercedes-Benz	All Models	Driver's Side Air Bags	Standard	Not Applicable
Mitsubishi	Starion	Motorized Belts	Standard	4,000-6,000
Nissan	4Dr/2Dr	Motorized Belts	Standard	55,000-60,000
Peugeot	505 (Base)	Belts	Not Determined	1,000-2,000
Porsche	944 Turbo 944, 944S	Dual Air Bags Dual Air Bags	Standard Optional	2,000-3,000
Rolls-Royce	Not Determined			
Saab	9000 3-dr.	Motorized Belt	Standard	4,000-5,000
Subaru	XT-Coupe	Motorized Belt	Standard Begin. Mar.	15,000-20,000
Toyota	Cressida Camry	Motorized Belt Motorized Belt	Standard Standard	60,000-70,000
Volkswagen				25,000-30,000
VW	Golf Jetta	Belts	Optional; Not Available on GTI & GLI	
Audi	None			
Volvo	760 760 740	Driver's Side Air Bag Driver's Side Air Bag Driver's Side Air Bag	Standard Standard Mid-Year Optional	11,000-13,000
Yugo	Not Determined	Belts		2,000

NHTSA still has work to do on 1987 'passive' standard

By Helen Kahn
AUTOMOTIVE NEWS STAFF REPORTER

WASHINGTON — The passive-restraint safety standard, now in effect for 1987 models, has not yet been completed by NHTSA, but the industry is not unduly concerned because the answers are not actually needed immediately.

One area not yet addressed is whether to exclude convertibles and the other is whether forces affecting the head should be measured differently from the method now used for setting the Head Injury Criteria.

During the early phase-in of passive restraints (10 percent of 1987 models, 25 percent of 1988 models, 40 percent of 1989 models), manufacturers can easily meet their quotas without counting convertibles. And until the way to measure HICs is changed, the old familiar way is in effect.

There are, however, other uncertainties which NHTSA is just now getting around to clearing up.

Last week, the agency responded to eight petitions for reconsideration, many involving placement of the instrumented dummy during testing. NHTSA made some minor adjustments but, in general, held fast to its previous position.

However, in responding principally to Ford Motor Co. and to import companies, the agency provided flexibility by allowing an extra year for the companies to use either the old or the new procedure. That makes Sept. 1, 1987, the effective date for the new test.

NHTSA denied Nissan's request for a two-year postponement (from Sept. 1, 1989, to Sept. 1, 1991) of the effective date for dynamic testing for front-seat manual lap/shoulder belts. That provision goes into effect only if enough states pass acceptable mandatory belt-use laws to automatically rescind the passive-restraint provision.

The agency said it had told American Motors earlier that most of the vehicle components needed for passive protection are the same for dynamically tested manual belts. Besides, said NHTSA, about 40 percent of current models can meet the injury criteria at 35 mph — or at a level 36 percent more stringent than standard 208.

Because of the imminence of the 1987 model year and the start of the 10 percent requirement, NHTSA decided to retain the due-care defense for the first year until it can make up its mind.

In that regard, the Center for Auto Safety argued that allowing a manufacturer to defend itself by claiming it has taken "due care" contravenes the defect notification and remedy provisions of the law. Moreover, the center said, it is not a "performance standard" as required by law and it is overly broad for its intended purpose.

On the other hand, Ford said that adopting the due-care defense does not sufficiently answer its concerns about the objectivity and practicability of the standard's requirement. As in past years, Ford urged NHTSA to adopt a "design to conform" standard as a defense.

NHTSA's intention is to allow the due-care defense for an isolated apparent failure if the automaker can show it made a good-faith effort in designing the vehicle and exercised reasonable quality control.

RESTRAINTS

FROM PAGE 1

Renault Medallion line that will debut midway in the model year.

Lincoln and Merkur also will not be available with passive restraints. Ford Motor Co. will begin installing passive belts in Ford Escort and Mercury Lynx subcompacts beginning Dec. 1 to go along with its Tempo/Topaz air-bag option.

The Ford belts, which will be produced by Toyota, are the only motorized belts for U.S.-built cars. Motorized systems move the shoulder harness out of the way for easy entrance and exit.

Chrysler Motors will offer such a belt on its Japanese-built Conquest model. Other importers — including Toyota, Nissan, Saab, Mazda, Mitsubishi, Subaru, Ferrari, Alfa Romeo and Isuzu — will have similar devices on certain cars.

Car buyers eager for air bags will find such systems available from only five makers — most in the luxury price segment.

Only Ford Motor Co., Mercedes-Benz, Volvo, BMW and Porsche have firm plans to offer air-bag systems as a way to meet 1987 federal passive-restraint requirements.

Mercedes, which made driver-side-only systems standard in all its models in 1986, is the only firm installing air bags in 100 percent of its U.S.-bound production for 1987.

Porsche is the only company that will offer passenger-side air bags, as well as driver-side systems. The dual air bags will be standard in the 944 Turbo and will be a $2,730 option in the 944 and 944S.

Ford will continue to make a driver-side air bag available to Tempo/Topaz buyers in 1987 for about $815. Ford first offered the device in 1986 models.

Some 1987 Volvo and BMW cars also will feature driver-side air bags.

Under federal standards, the passive-restraint requirement will increase from 10 percent of sales in 1987 models to 25 percent in 1988, 40 percent in 1989 and 100 percent in 1990.

The rule will be rescinded if states covering two-thirds of the U.S. population adopt laws making seat-belt use mandatory by April 1989.

Automakers will be able to carry forward credits from one model year to any future year, if the mandate is exceeded. For example, if a firm is required to build at least 50,000 cars with passive restraints in 1987 and it produces 100,000, it can bank the 50,000 extra units for use in any future model year it falls short of the standard.

That means that air-bagged cars built by Ford and Mercedes in the 1986 model year — when there was no passive-restraint law — potentially could be applied to future requirements.

Automakers receive one vehicle credit for every car that has either passive belts for both driver and front-seat passenger or a driver-side air bag. Cars with a driver-side air bag and a passive belt or air bag for the front-seat passenger receive 1.5 credits.

Under current planning, only Porsche, which will have a dual air-bag system, will receive 1.5 credits per car.

Automakers face fines of $1,000 per violation up to $800,000 for failure to meet the passive-restraint rule.

RECREATION ON WHEELS

Regional operation gives Kentron an advantage in a tough business

By Joseph Bohn
AUTOMOTIVE NEWS STAFF REPORTER

ELKHART, Ind. — The customized van business is extremely competitive; but some competitors, like Kentron, are successfully using regional manufacturing/sales centers, focused brand selling and even telemarketing to increase their penetration.

Kentron Inc. found that the best way to get on with Texans, Tennesseeans and Southwesterners was to set up shop in their own territory.

During the past year, it has opened a plant in Marshall, Texas, complete with its own general manager and sales staff — a sort of "mini Elkhart" — and has found it has improved sales substantially.

"When you get down to Texas, Elkhart is almost an objection. You can overcome it, but they would rather buy locally," said Frank Bauer, Kentron sales vice president.

"We did a fairly good job in Texas, Arkansas and Memphis markets, but our growth was slow and difficult. So we opened a factory, and it's made a difference."

Kentron carved the Texas customizing operation out of its U.S. Conversions company, establishing a separate entity. It now is considering a similar operation in the Southeast for markets like Georgia, Florida and Alabama.

Again, buyers there prefer locally produced products, and local competition is intense.

Kentron has a sales manager working the market to determine if it can support a new plant. Depending upon what he finds out, "I'd like to do it, probably within a year," Bauer said.

He noted that, based on "considerable research" and his extensive travels, the domestic market for van conversions really breaks into three regions.

Along with the Southwest and Southeast, there is the Midwest which, in Bauer's opinion, includes the East Coast because buyers there "are used to, and accept, Elkhart products."

Kentron also has been upgrading its operations in other ways. The past year has been busy.

Aside from the Southwest operation, it established a separate Ram Coach Corp. to handle only customized Dodge products.

The company has its own general manager, John Witucki; its own factory; and its own sales force to work exclusively with Dodge dealers and Dodge zone people.

Previously, Kentron ranked eighth in volume among Dodge converters, but now is third and shooting for first place, Bauer said.

The company also created separate sales forces, complete with their own managers, to concentrate exclusively on Ford and GM products.

Its Premier Edition vans take in only Ford products, while U.S. Conversions focuses exclusively on Chevrolet/GMC.

Both Ford and GM products are built in U.S. Conversions' 50,000-square-foot facility.

The Ram operation has a separate plant because "there are certain panels, lighting systems, paints etc., that fit a Dodge that won't work quite as well on a Ford," Bauer noted.

Within the past year, Kentron also has acquired Lands Design Inc., a premier luxury van firm, whose conversions average more than $10,000 at dealer cost.

Kentron also operates Royal Motor Coach, which produces $300,000 to $400,000 luxury motor bus conversions from MCI, Prevost and Eagle.

It has a year's backlog of orders, with an annual production rate of 12-15 units.

And Kentron operates Solid Oak Corp., which produces a line of wood products for the company's use and for other van converters.

Kentron's biggest product change for the 1987 model year is a switch to Flexsteel seating for all its vans.

For the past 11 years, it has manufactured its own seats, but it is switching to Flexsteel because of the latter's strong retail image and the added flexibility it gives Kentron in choosing fabrics and styles, Bauer said.

Generally, Kentron's goal for the 1987 model year is to "sell the better packages," he added.

That means shifting emphasis to higher-priced content conversions in the $5,000-and-up dealer price range.

"Our dealers are generally tired of all the conversion companies trying to sell them a price, like the $2,995 conversion," Bauer said.

"They and their customers want some of the extras, like better furniture, built-in consoles, lighting packages. Anybody can produce a cheap conversion. It's hard to do a Lands Design or some of our better models," he added.

Overall, Kentron's unit sales may be up only 5 percent in the 1987 model year, but its dollar volume could increase 15 percent, Bauer added.

Kentron conversions start at $3,495, and that entry-level price is being kept, primarily to provide dealers a complete price range of models so they won't have to go elsewhere.

Kentron offers models in seven price ranges up to its top-line Lands Design units.

Prior to its acquisition by Kentron, Lands Design handled only Ford. Kentron, through its bailment pool agreements, added Chevrolet and GMC chassis.

The fact that so many GMC dealers are dualed with Pontiac, Oldsmobile, Buick and, particularly, Cadillac opened up "excellent prospects" for the luxury customizing firm, Bauer said.

Recently, the firm began using telemarketing in its dealer/sales recruiting effort. It has more than 400 dealers and covers more than 60 percent of the U.S. market.

It has three people — one for U.S. Conversions, one for Premier Editions and one for Lands Design — who each make 100-plus calls weekly to dealers, strictly for prospecting.

They introduce themselves, pitch the company, follow by sending company literature and ultimately follow that by setting up appointments for area salespeople.

New luxury motor van from Lands Design
Lands Design, Elkhart, Ind., introduces this Brougham II luxury motor van, featuring deep tinted Vista Bay slider windows and a full tritone paint scheme. It also has extra-wide high-back seats, striking wood accents and other niceties like a leather-wrapped steering wheel, overhead console sound system and rear-mounted television.

June RV shipments up

RV manufacturers wholesaled 33,900 units in June, up 7 percent over the total for the year-ago month. Calendar-year-to-date shipments of 207,800 were up 3 percent over last year's.

Seasonally adjusted, the year-to-date total represents an annual rate of 385,000, according to the Recreation Vehicle Manufacturers Association.

The Index of Consumer Sentiment, as measured by the University of Michigan Survey Research Center, registered a reading of 99.3 in June, up from the previous month's 94.6.

The rise was due mostly to favorable consumer evaluations of current rather than future expectations.

Favorable attitudes toward buying conditions for vehicles were held by 77 percent of those surveyed in June, an all-time record.

Retail sales of RVs also improved in June, the RVIA pointed out. Indications are that retail sales of both travel trailers and conventional type A motor homes are outperforming wholesale shipments in much the same pattern as last year.

RV DELIVERIES
as reported by the Recreation Vehicle Industry Association — Numbers in Thousands

	June '86	June '85	% change	Cum. '86	Cum. '85	% change
All travel trailers	7.2	7.5	−4.0	47.8	48.0	−0.4
Folding camper trailers	2.8	2.7	−3.7	19.2	20.6	−6.8
Truck campers	0.8	0.7	+14.3	4.0	4.1	−2.4
ALL TOWABLE RVs	10.8	10.9	−2.8	71.0	72.7	−2.3
Conventional (Type A)	2.5	2.3	+8.7	16.8	19.0	−11.6
Van campers (Type B)	0.6	0.8	−25.0	3.3	3.9	−15.4
Chopped vans (all)	2.7	2.2	+22.7	14.9	17.0	−12.4
ALL MOTOR HOMES	5.8	5.3	+9.4	35.0	39.9	−12.3
VAN CONVERSIONS	17.5	15.3	+14.4	101.8	86.9	+15.0
TOTAL	33.8	31.5	+7.8	207.8	201.1	+3.3

Detroit manufacturers' shipments of van chassis with the seat delete option were up sharply in June, portending future van conversion sales.

Detroit shipped 17,200 of those units in June, up 25.6 percent from last year.

RVIA expects exhibitor record for Atlanta show

RESTON, Va. — The Recreation Vehicle Industry Association expects its 1986 national RV trade show in Atlanta to be the largest in the show's 23-year history.

The show will be hld Dec. 2-5.

Steve Krivian, chairman of the show committee, said 529,044 net square feet of exhibit space was assigned to RV manufacturers and suppliers at the national show space drawing.

Krivian is director of marketing for Airstream Inc., Jackson Center, Ohio.

A total of 470,444 net square feet of exhibit space has been assigned to 96 manufacturers, with 14,000 square feet of manufacturer exhibit space still available.

All supplier exhibit space has been sold and assigned. A total of 239 suppliers will exhibit at 586 booths, each measuring 10x10 net square feet.

The show is expected to draw more than 12,000 industry officials.

A special feature of this year's show will be a seminar, co-sponsored by RVIA and the Recreation Vehicle Dealers Association, which will instruct dealers on new ways to attract the often-elusive first-time RV buyer.

The seminar will be conducted by Burson-Marsteller, RVIA's public relations agency, and will be presented once daily Dec. 1-3.

Registrants will receive the first report of a consumer survey by Burson-Marsteller, aimed at understanding the first-time RV buyer.

Aviator seeking increase in business with GM

By Joseph Bohn
AUTOMOTIVE NEWS STAFF REPORTER

WAKARUSA, Ind. — After increasing its office facilities and sales staff, Aviator Van Conversions expects a substantial gain in its sales of customized vehicles in the 1987 model year.

Brian R. Brady, Aviator vice president and general manager, said the company is eager to increase its sales of customized off-road vehicles and its General Motors business.

Aviator, along with Utilimaster, is a division of Holiday Rambler Corp. of Wakarusa. Holiday Rambler has been Ford Motor Co.'s largest consignment pool company the past six years.

Brady said Aviator has developed an "extremely close working relationship" with Ford. Now, he said, the company is seeking to build up the Chevrolet/GMC side of its business.

Aviator got a late, limited start last year in branching out into customizing Bronco IIs, compact Blazers, Jimmys, Suburbans, crew-cab pickups and dualies. It plans a more aggressive effort in that market in 1987.

The customized off-road vehicle business is seasonal, Brady added, with a peak in fall and winter.

Aviator hopes to sell 400 to 500 customized off-roaders in the 1987 model year, while expanding sales of its customized vans. It sells about 2,000 customized vans yearly.

It is signing 10 to 12 new dealers monthly, and expects to have 450 to 500 dealers a year from now, Brady said.

The company offers customized vans in low, medium and high-priced series. It does 40 percent of its volume in entry-level models, 40 percent in mid-priced models and the balance in high-priced models, which Brady considers a very healthy balance.

This year, the company sharpened negotiations with suppliers.

More important, Brady said, it worked closely with them to examine how things might be produced differently or how product value might be improved without reducing quality.

As a result, the company was able to improve the quality of its trim. It added a 40-channel CB and complete oak dash, along with custom-designed seating and custom fabrics to its high-line Crown Royale series while reducing the base price to dealers by about $300.

Brady said that for 1987, the company has reduced what it calls the "effective selling price" — a combination of added value and price reductions — by at least 15 percent.

The company promotes through direct-response ads, mailings, dealer testimonials and various other kinds of dealer communications. It plans to increase its range of dealer communication.

Because of the investments they're making to upgrade the value of their products, Brady believes that larger, quality customizers will succeed over the long haul in beating back competition from small, low-overhead operators.

Aviator, for example, has invested money in tooling for raised roofs and door panels that give it proprietary design rights, Brady said.

"Nobody can reproduce those designs unless they're willing to make the investments we have. And that begins to separate an Aviator or a Starcraft or a Bivouac — people that have the financial wherewithal — from the small shops," Brady said.

Rising yen may be boon for Japan, study warns European automakers

By Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTER

FRANKFURT, West Germany — A new report on surging Japanese competition in Europe carries warnings for Europe's high-volume auto producers.

A 228-page analysis by the Motor Industry Research Unit (MIRU) at the University of East Anglia in Norwich, England, projects that rapid appreciation of the yen will pay long-term dividends for the Japanese industry by stimulating an increase in efficiency.

The researchers speculated that the Japanese eventually may be able to reduce the average cost per vehicle by as much as $3,000 through increased automation, upscale marketing and new emphasis on foreign assembly sites.

The study comes at a time when the Japanese have been strengthening their position in Europe, much to the displeasure of the European Common Market. Indeed, a growing discontent with Japanese penetration on several product fronts was reflected recently in the Common Market's imposition of anti-dumping penalties on Japanese photocopier producers. And Japan is placing curbs on auto exports to the Common Market.

In the first half of 1986, Japanese makers increased their car sales in European by 23 percent, from 592,000 to 727,000. According to the report, titled "Quality and the Japanese Motor Industry," the Japanese are challenging European makers not only in Europe, but in such traditional export markets as Latin America, Africa, the Middle East and Australia.

The report, compiled by a team under Professor Krish Bhaskar, contends that although such European makers as Daimler-Benz and BMW are relatively safe, the prognosis for volume producers is bleak.

"It has already become quite apparent from their performance in the more open markets in Europe that Japanese car manufacturers can easily sell their cars to European consumers," the report said. "Europe's volume producers — despite financial difficulties — have to respond immediately."

The authors said European manufacturers must compete with Japanese quality and reliability.

"If they do not manage to at least match the Japanese in this area, they will increasingly lose sales," according to the report.

With the yen rising approximately 40 percent against the dollar in the last year, Common Market officials have accused Japanese manufacturers of shifting emphasis toward European markets, where currencies have not declined as much against the yen.

In June, Japan's Ministry for International Trade and Industry said it would ask Japan's car companies to reduce the rate of increase of car exports to Common Market countries. Japanese automakers had registered year-to-year European export increases of about 55 percent in May and 70 percent in April.

In August, MITI and the automakers reportedly agreed on a voluntary limit of 1.1 million car exports to Common Market nations for 1986, a 10 percent increase over 1985.

Japanese shipments have slowed this summer, but MIRU warned of a long-term threat that must be met by European makers in markets outside France, Spain and Italy, which all but bar Japanese imports.

According to MIRU, the yen situation eventually will result in a more competitive industry in Japan. MIRU projects a broad long-range strategy by the Japanese. The research group looks for an increase in overseas sourcing and production capacity and further cost reductions bred by automation.

According to MIRU, the various strategies designed to weather the yen situation could result in domination of the world motor industry by Japan.

"The success of the Japanese in emerging with renewed strength from the 1974 oil crisis leads us to believe that the innovations and advances they make as a result of the present currency crisis will enhance their competitive position worldwide," the report said.

The research group laid out a formula by which the Japanese could achieve an average savings of $2,984 per car from new efficiencies.

According to MIRU's breakdown, the $2,984 would be achieved by recovering $1,000 through the sale of higher-priced vehicles with more options, $750 by locating new manufacturing plants overseas, $234 through automation, $100 by reducing office cost, $200 in other non-assembly reductions and $700 through supplier reductions in man-hours and costs.

According to MIRU, European producers must absorb the fundamental Japanese lesson that better efficiency is compatible with quality improvements. The researchers considered product reliability data among a wide range of Western European manufacturers. However, the group focused on high-volume producers in the United Kingdom — Nissan, Vauxhall, Ford and Austin Rover.

The dealer-oriented survey included an examination of numerous reports on reliability published in the United Kingdom, more than 1,000 questionnaires sent to dealers, interviews at dealerships and telephone interviews with dealers.

"We basically came to the conclusion that the Japanese are significantly better in quality terms," said Bhaskar. "Whichever way you look at it, however you define it — in warranty costs, in customer satisfaction, whatever — the Japanese retain a very much higher level of quality than the European manufacturers."

The research group attributed Japanese superiority to such factors as product development and design, employee attitudes and motivation, supplier involvement, automation, plant engineering and manufacturing systems and quality control systems.

Among Europe's high-volume manufacturers, "only certain Volkswagen models come close to the Japanese in quality and reliability," according to the study.

Among the primary U.K. competitors, MIRU placed Nissan first in its quality index. Next were Ford and Vauxhall, both of which were deemed to be ahead of the European average for quality, followed by Austin Rover.

Mitsubishi, Daimler-Benz plan joint van production in Spain

TOKYO — Joint production of the Mitsubishi Motors Corp. minivan with Daimler-Benz AG in Spain is expected to start at 9,000 and gradually be doubled. Mitsubishi said that initial output at the Mercedes-Benz Espanol facilities, in Vitoria, Spain, will be increased so that some vehicles can be exported to West Germany.

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Mexican car exports show 5-month growth

MEXICO CITY — In contrast to the depressed domestic market, exports of Mexican-made cars increased 33.1 percent in the January-May period.

Shipments totaled 26,765 units, with the United States the main destination, according to the monthly report of the Mexican Automotive Industry Association.

The association said Chrysler de Mexico accounted for 61.7 percent of the exports for the five-month period, followed by General Motors, with 25.6 percent; and Nissan, with 11.3 percent.

Meanwhile, domestic sales of cars and trucks continued to slide, with a decrease of 34.2 percent for the five-month period.

The report said that domestic sales totaled 108,947 units in the five months, down 56,509 from the 165,456 sold in the same period last year.Cars were hardest hit, with 63,701 units, a loss of 37.2 percent.

TRUCK INDUSTRY

Sales set record in August

By JOSEPH BOHN
AUTOMOTIVE NEWS STAFF REPORTER

Domestic truck sales soared to another record in August, continuing their record-setting pace for the first eight months of calendar 1986 as well.

August sales were 391,200, up from 345,009 a year earlier.

The total included 370,679 light-duty sales, up from 323,210 a year earlier; 4,881 medium-duty Class 4-5-6 sales, down from 4,995; and 15,640 heavy-duty Class 7-8 sales, down from 16,804.

Within the medium segment, Class 5 sales of 797 were up from 519 a year ago, while Class 6 sales of 4,084 were down from 4,476, according to preliminary reports from the Motor Vehicle Manufacturers Association.

Within the heavy segment, Class 7 sales of 7,816 were up from 7,310, and Class 8 sales of 7,824 were down from 9,494 a year earlier.

Eight-month industry sales of 3,209,470 were up from last year's previous record of 3,162,397.

Light-duty sales of 3,034,539 were up from 2,973,930 in 1985, according to manufacturers' reports.

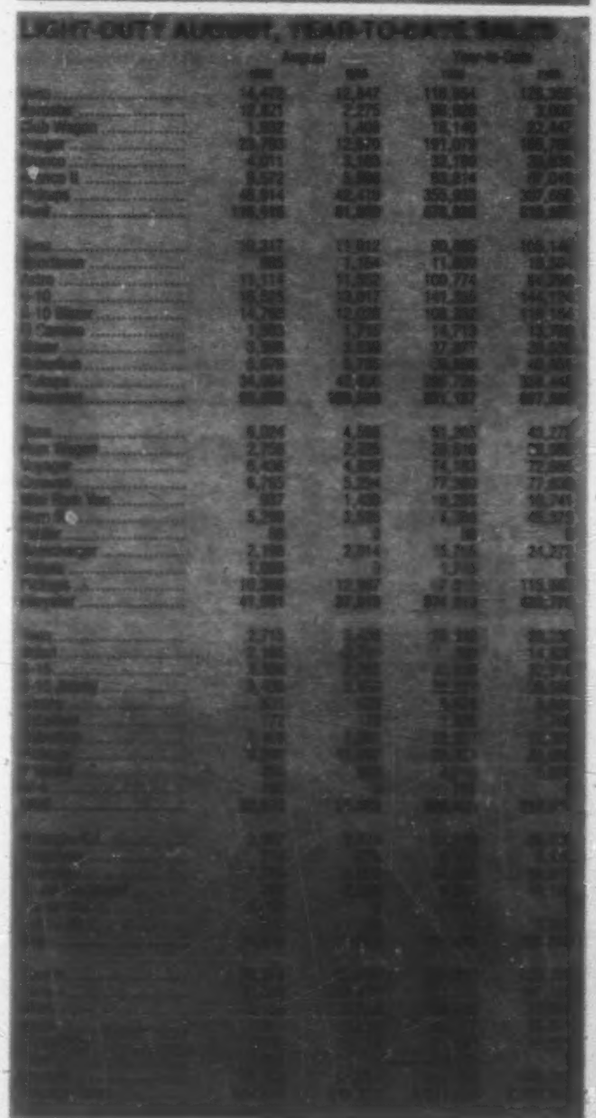
Medium-duty sales of 33,311 were down from 34,293, according to the association.

Within that segment, Class 4 sales of 3,459 were up from 3,366. Class 6 sales of 29,852 were down from 30,927 a year earlier.

Heavy truck sales of 141,620 were down from 154,174 in 1985.

Within that segment, Class 7 sales of 67,488 were up from 63,394. Class 8 sales of 74,132 were down from 90,780 a year earlier.

MAJOR MANUFACTURERS BY SEGMENT


LIGHT-DUTY AUGUST, YEAR-TO-DATE SALES

AUCTION DATES

American Motors

Sept. 16 — High Point Auto Auction, High Point, N.C.

Sept. 17 — Columbus Fair Auto Auction, Columbus, Ohio; Mid States Auto Auction, South Bend, Ind.; and Kansas City Auto Auction, Kansas City, Mo.

Sept. 18 — Corry Auto Auction, Corry, Pa.; Minneapolis Northstar Auto Auction, Shakopee, Minn.; and Evansville Auto Auction, Evansville, Ind.

Sept. 23 — Aptco Auto Auction, Taylor, Mich., and D-A Auto Auction, New Stanton, Pa.

Chrysler Corp.

Sept. 16 — Hatfield Auto Auction, Hatfield, Pa., and Aptco Auto Auction, Taylor, Mich.

Sept. 17 — Butler Auto Auction, Gibsonia, Pa.; Sand Mountain Auto Auction, Boaz, Ala.; Minneapolis Auto Auction, Plymouth, Minn.; and Southwest Auto Auction, Phoenix, Ariz.

Sept. 18 — Clanton's Auto Auction, Darlington, S.C.

Sept. 19 — Floyd Hauhe Auto Auction, Bridgeton, Mo.

Sept. 23 — Metro Auto Auction of Kansas City, Lee's Summit, Mo.; Arena Auto Auction, Chicago; Golden Gate Auto Auction, Fremont, Calif.; and Dallas Auto Auction, Grand Prairie, Texas (special sale)

Ford Motor Co.

Sept. 17 — Lakeland Auto Auction, Lakeland, Fla., and Brasher's Southern California Auto Auction, Fontana, Calif.

Sept. 18 — Denver Auto Auction, Englewood, Colo., and Skyline Auto Exchange, Fairfield, N.J.

Used Car Sales
Auction Averages

September to date	$8,235
Month ago	$8,285
Year ago	$8,824

Model Breakdown
Auction Averages

	SEP 1986	AUG 1986	JUL 1986
1986	$12,019	$12,136	$12,574
1985	$8,522	$8,520	$8,622
1984	$6,236	$6,242	$6,256
1983	$5,489	$5,582	$5,561
1982	$4,310	$4,337	$4,350
1981	$3,375	$3,398	$3,385
1980	$2,504	$2,505	$2,529
1979	$2,126	$2,148	$2,164
Overall Average	$8,236	$8,237	$8,196

General Motors

Sept. 16 — Denver Auto Auction, Englewood, Colo.; Florida Auto Auction of Orlando, Orlando, Fla.; 166 Auto Auction, Springfield, Mo.; and Harrisonburg Auto Auction, Harrisonburg, Pa.

Sept. 17 — Minneapolis Northstar Auto Auction, Shakopee, Minn., and Hatfield Auto Auction, Hatfield, Pa.

Sept. 18 — Nashville Auto Auction, Nashville, Tenn.; Ohio Auto Auction, Columbus, Ohio; Floyd Hauhe Auto Auction, Bridgeton, Mo.; and Southwest Auto Auction, Phoenix, Ariz.

Aftermarket groups slap incentives in Canada's auto-trade program

By Geoff Sundstrom
AUTOMOTIVE NEWS STAFF REPORTER

WASHINGTON — Two aftermarket associations have told U.S. trade officials that the United States should not enter a free-trade agreement with Canada unless the agreement prohibits Canadian investment incentives that hurt U.S. parts makers.

The industry groups are the Motor and Equipment Manufacturers Association and the Automotive Parts and Accessories Association.

In an attempt to gauge industry concerns about establishing a free-trade arrangement with Canada the U.S. International Trade Commission and the U.S. Trade Representative's office held public hearings here last week. MEMA and APAA testified at those conducted by the U.S. Trade Representative's Office.

MEMA President William A. Raftery said his association "will under no circumstances support a duty-free arrangement while anti-competitive, pro-Canadian policies remain in effect."

Lee Kadrich, APAA managing director of government affairs, said, "Unless Canada agrees to discuss all aspects of our automotive trade relationship and all trade-distorting practices, the free-trade proposal remains the immediate threat to our aftermarket which must be stopped."

The two associations dealt at length with what they view as unfair Canadian trade practices that have developed during the past few years.

The Reagan administration and the government of Canadian Prime Minister Brian Mulroney have proposed that tariffs and other trade impediments between the two countries be abolished. Although most tariffs on automotive products were eliminated under the Automotive Products Trade Act of 1965, tariffs still exist for aftermarket products in both countries.

Kadrich and Raftery were especially critical of a Canadian program allowing duty remission on imported auto parts. The U.S. Trade Representatives Office has called the program a violation of the General Agreement on Tariffs and Trade and of the U.S.-Canadian Automotive Products Trade Act.

Raftery explained the program after submitting to the U.S. Trade Representatives Office a copy of a Canadian government "Order-In-Council" regarding a duty-remission arrangement with Honda Canada.

Raftery said, "The order grants Honda Canada a drawback on payable duties regarding the importation into Canada of any vehicles or parts to the extent that Honda incorporates Canadian Value-Added (Canadian production) into the vehicles.

"In other words," Raftery said, "for every dollar of Canadian Value-Added contained in the import parts or vehicles, Honda receives a dollar remission on the payable duty."

Kadrich joined MEMA's condemnation of the duty remission and local content requirements. He also criticized Canadian government efforts to attract Japanese suppliers to invest in Canada.

He said, "It was with Canadian government blessings that the newly founded Pacific Automotive Cooperation Inc. (PAC) embarked in 1984 on a zealous mission to stimulate both the Canadian and Japanese parts industries.

"Staffed by Japanese auto executives and directed by officials of the Japanese Automobile Manufacturers Association and the Japan Auto Parts Industries Association, PAC is waging an ambitious campaign to entice Japanese suppliers to take some of the sting out of U.S. political frustration with the mounting parts trade deficit, by entering the United States through the back door."

Kadrich said, "What makes all of this even more threatening is PAC's push for Japanese suppliers to use Canada as a springboard to launch duty-free original-equipment exports into both domestic and Japanese car assembly plants in the United States." The duty-free treatment is granted under the U.S.-Canadian Automotive Products Trade Act.

"Add to this the lure of government grants and lower operating costs in the key areas of wages, utilities and materials, and it is easy to see that our parts trade deficit with Canada could mount swiftly as Japanese suppliers move to exploit the Auto Pact to sidestep U.S. political pressures," he said.

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PRODUCTION COSTS OF SMALL-CAR MANUAL TRANSAXLE

	U.S.	Japan	Korea	Spain
BEFORE THE DEAL				
Direct and indirect labor	$60.28	$34.67	$60.28	$51.68
Materials	$736.89	$645.71	$736.89	$736.89
Expense packaging	$71.42	$68.71	$68.71	$68.71
Transportation and duty	3	$68.71	$68.71	$68.71
Total cost	$871.42	$868.19	$934.59	$925.99
% of U.S. cost	100%	99%	107%	106%
AFTER THE DEAL				
Direct and indirect labor	$60.28	$51.67	$60.28	$51.68
Materials	$736.89	$645.71	$736.89	$736.89
Expense packaging	$68.71	$68.71	$68.71	$68.71
Transportation and duty	3	$68.71	$68.71	$68.71
Total cost	$871.42	$834.79	$934.59	$925.99
% of U.S. cost	100%	96%	107%	106%

The above is based on a model developed by Harbour Simons of Troy, Michigan.

"Before the deal" shows product cost differential between small-car manual transaxle manufacturers in the United States and abroad. It is assumed that each U.S.-made transaxle requires two hours of direct labor, four hours of indirect labor and $100 in purchased material. Also assumed are a 1,000-hour work year, equipment costs of $50 per unit, a 5% scrap rate and 70% machine utilization.

"After the deal" illustrates what doesn't happen if labor and management agreed to a trade in which labor modifies work practices in exchange for management's commitment to invest in existing transaxle facilities at home. The data assigned a 15% increase in productivity of direct labor, 90% machine utilization, a 2% scrap rate and a ratio of indirect to direct labor of 3.7-to-1.

Harbour Inc., Troy, also compared Korea and Japan. Dr. David E. Cole, Harbour Professor, Industrial Technology Institute, University of Michigan, and Dr. Yuzo Yamashina, professor, Science Institute, University of Tokyo, also assisted.

STUDY

FROM PAGE 1

$268.19 in Japan and $334.96 in Korea. European production costs, at $306.31, already exceed those in the United States, due primarily to materials and transportation fees.

According to the article, a more competitive contract, in which "labor modified work practices in exchange for management's commitment to invest in existing transaxle facilities at home", would greatly narrow the gap between the United States and Japan.

Assuming the new pact would lead to a 15 percent increase in productivity of direct labor, 80 percent machine utilization, a 2 percent scrap rate and a ratio of indirect to direct labor of 3.7 to 1, manufacturing costs at the hypothetical U.S. transaxle plant would drop to $278.21, according to Luria. All but 236 of the plant's 850 jobs would be saved under such a contract, he said.

Luria said the remaining $11.02 in cost difference between the United States and Japan could be eliminated through a government subsidy.

"If one assumes that the advantage of proximity to U.S. assembly plants isn't enough to offset this $11.02 cost differential, then management would still have an incentive to move more auto production offshore," Luria wrote.

"If the cost to the U.S. Treasury of losing domestic production is greater than the remaining cost gap, then selective subsidies or tariffs might be an effective way to bolster the new productivity conditions and keep production in the United States."

It would cost the federal government $6.3 million to subsidize the $11.02 difference at the one transaxle facility, according to Luria. But he called the cost a bargain since it would help save the 614 plant jobs plus another 1,000 in related industries.

"Moreover, phasing out such a subsidy or tariff over, say, five years would both support the productivity coalition and make demands on its continuance easier," Luria said in the article.

Luria provided examples of how changes in job classifications have had a direct effect on production costs.

About $15 per vehicle was saved at the U.S. assembly plant because employees were allowed to clean their own work areas, Luria said. At an engine plant, $10 per unit was saved due to new work rules and the addition of automated manufacturing, he wrote.

"From a company-wide engineering study conducted by one of the Big Three, one can infer that as much as 37 percent of plant downtime results from restrictive work practices, which works out to approximately $700 in added costs per vehicle," Luria said.

Future agreements will have to include more-flexible work practices and lower pay in some labor-intensive component plants, he said. In exchange, he said, corporations will have to accept somewhat lower returns on investment.

He predicted that more agreements will be modeled after General Motors' Saturn contract, which tak part of wages to profitability and possibly productivity. Starting pay scales in the future likely will be at a lower percentage of maximum pay, he added.

Jaguar expects CAFE fine

WASHINGTON — Jaguar is expecting to pay upwards of $4.5 million in civil penalties because its 1985 models did not meet the Corporate Average Fuel Economy standard of 27.5 mpg for that year.

The exact figure is not yet known because EPA has not finished collecting data and NHTSA has not done the math.

The fine is $5 for each tenth of a mile mpg by which a company misses the CAFE standard.

Last December, Jaguar paid $6,015,000 in fines because it missed both the 1982 CAFE of 26 mpg and the 1984 CAFE of 27 mpg.

The 27.5-mpg standard has caused problems for many companies — about $900 million in fines for General Motors and about $50 million for Ford Motor Co. But those full-line manufacturers can take advantage of carry-forward and carry-back provisions.

PRODUCTION

U.S. CAR	Week Ended Sept. 13, 1986	Week Ended Sept. 14, 1985	Week Ended Sept. 6, 1986	Sept. to Date	Jan. 1 to Sept. 14, 1986	Jan. 1 to Sept. 13, 1985
AMERICAN MOTORS	0	2,858	0	0	60,514	36,555
Renault Total	0	2,858	0	0	60,514	36,555
Alliance	0	1,979	0	0	31,657	25,608
Encore	0	879	0	0	28,857	10,947
CHRYSLER MOTORS	39,700	37,190	33,742	84,442	822,335	845,170
Chrysler Total	7,500	7,865	7,573	15,073	356,476	289,985
Horizon	2,800	3,679	3,178	6,978	104,380	121,472
Omni/Omni	800	0	882	1,782	0	11,311
Reliant	2,800	3,925	2,491	5,291	117,444	110,663
Caravelle	800	964	944	1,244	34,221	31,733
Shelby Fury	300	300	440	740	12,921	13,377
Chrysler Total	4,700	8,561	7,959	12,659	207,455	252,103
Laser	0	1,177	0	0	36,883	27,239
LeBaron	700	942	788	1,488	66,657	67,945
LeBaron GTS	1,100	2,649	3,842	4,942	67,890	51,443
New Yorker/E-Class	1,000	1,238	1,017	2,017	47,888	53,578
5th Avenue	1,900	2,555	2,361	4,261	80,976	52,303
Dodge Total	8,500	10,004	8,210	16,710	252,367	304,061
Daytona	0	301	0	0	34,588	30,807
Dart	2,900	2,603	3,021	5,921	101,001	117,585
Shadow	800	0	792	1,592	0	18,063
Aries	2,600	3,766	2,111	4,711	86,549	87,761
Dodge 600	600	1,361	626	1,226	46,256	50,803
Lancer	700	1,619	654	1,354	47,403	37,671
Diplomat	900	573	1,006	1,906	25,676	29,607
FORD MOTOR	39,547	36,469	32,407	61,949	1,176,751	1,258,070
Ford Division	21,814	18,566	23,746	45,882	782,956	863,171
Escort	6,800	7,566	6,946	13,746	234,173	272,985
EXP	0	0	0	0	3,836	0
Mustang	3,952	4,007	4,121	7,733	126,664	130,159
Tempo	2,757	3,502	3,533	6,269	133,081	139,086
LTD	0	3,773	0	0	160,316	0
Taurus	6,755	0	9,139	17,894	0	210,620
Thunderbird	0	0	0	0	127,784	104,470
Crown Victoria	0	0	0	0	7,122	0
Lincoln Division	7,628	7,501	6,695	16,267	393,793	394,899
Mercury Total	5,204	4,805	4,566	9,613	279,425	272,440
Lynx	1,308	1,293	680	1,988	51,257	46,110
Capri	70	66	0	70	13,469	12,479
Topaz	671	1,319	1,010	1,881	41,386	41,297
Cougar	0	0	0	0	63,704	99,951
Marquis	0	1,427	0	0	74,885	0
Sable	2,775	0	2,880	5,654	0	85,587
Grand Marquis	0	0	0	0	4,733	0
Lincoln Total	2,654	2,696	4,070	6,674	114,366	122,469
Continental	291	402	485	666	18,567	13,552
Lincoln	1,952	2,172	3,055	5,007	83,115	91,651
Mark VII	391	322	810	1,001	12,686	17,048
GENERAL MOTORS	66,638	91,458	83,624	150,262	3,457,078	2,959,143
Buick Total	18,112	19,839	13,690	31,702	717,001	551,258
Skyhawk	1,585	1,707	1,213	2,798	76,078	60,601
Century	4,311	6,984	3,422	7,733	194,694	166,095
Regal	0	3,588	1,213	1,213	94,981	42,952
Skylark (X-car)	0	0	0	1,421	40,953	0
Somerset/Skylark	2,786	3,098	1,617	4,803	87,832	78,709
LeSabre (full)	5,400	0	3,544	8,944	0	108,359
LeSabre/Electra(mid)	389	537	243	632	85,797	10,988
Electra(full)	3,641	3,868	2,196	3,839	92,516	61,341
Riviera	0	47	0	0	45,357	19,467
Cadillac Total	5,479	3,807	4,236	9,737	255,150	230,777
Eldorado	305	4	388	693	19,076	17,869
Cadillac (mid)	1,200	229	1,019	2,219	30,841	60,033
Seville (full)	3,794	3,265	2,822	6,616	121,232	117,208
Eldorado	0	72	0	0	51,846	18,513
Seville	0	37	0	0	37,305	17,077
Chevrolet Total	30,333	31,388	22,043	52,376	1,161,581	907,407
Chevette	2,535	2,433	1,564	4,464	115,184	70,617
Camaro	3,539	3,784	2,750	6,289	146,800	127,888
Cavalier	8,353	9,366	6,468	14,851	391,197	285,563
Celebrity	6,405	5,341	3,928	12,102	194,383	175,065
Citation	0	0	0	0	37,899	0
Monte Carlo	1,180	2,816	2,147	3,377	99,699	82,887
Chevrolet	5,680	6,803	4,237	9,917	166,245	146,910
Corvette	640	1,003	521	1,161	32,984	18,781
Oldsmobile Total	15,213	20,210	11,862	27,095	854,989	718,707
Firenza	600	1,048	625	1,455	45,311	27,388
Calais	2,964	3,846	2,057	5,061	106,166	83,646
Cutlass Ciera	3,471	5,502	2,897	6,368	252,099	180,797
Cutlass Supreme	969	5,573	1,231	2,221	164,136	90,349
88 (full)	3,952	0	2,782	6,714	0	276,611
98 (Full)	360	386	252	612	159,995	13,821
Delta 88	2,916	3,833	2,049	4,864	99,986	86,154
Firenado	0	22	0	0	27,288	14,040
Pontiac Total	17,461	16,444	11,811	29,262	473,039	590,889
Acadian**	0	637	337	337	9,381	11,031
Pace	1,703	2,468	991	2,751	79,218	47,845
1000	795	1,247	677	1,462	33,163	15,022
Firebird	3,073	2,326	2,582	4,907	79,827	80,011
2000 Sunbird	3,962	2,661	2,864	6,546	99,156	96,373
Grand Am	5,904	4,231	3,083	9,073	90,703	156,174
6000	2,904	717	982	3,886	37,900	99,474
Parisienne	311	2,569	259	570	54,010	42,938
HONDA	5,460	3,226	4,444	9,904	109,207	147,492
NISSAN	1,837	1,244	1,021	2,858	21,879	26,812
SUBARU*	3,731	1,875	3,731	7,462	32,482	142,610
VOLKSWAGEN	2,000	2,127	1,580	3,580	66,166	57,922
Total Cars, U.S.	149,909	156,445	130,529	280,437	5,895,829	5,574,158
Total Cars, Canada	25,539	24,835	13,520	39,059	746,160	730,445
N. American Cars	175,448	181,280	144,049	319,495	6,611,989	6,304,603
N. American Trucks	82,769	99,074	80,099	182,868	3,049,089	3,115,720
North American Cars and Trucks	258,215	271,354	224,148	492,363	9,661,079	9,420,323

*—Revised estimate. **—All Acadians are built for sale in Canada.
Weekly estimates may contain some error of one or two units due to rounding.

Auto production best in 10 weeks

By Louise Kertesz
AUTOMOTIVE NEWS STAFF REPORTER

With lines speeding up after model changeover, U.S. automakers targeted their best week's production in 10 weeks.

Last week's scheduled build of 149,908 cars marked the highest production since 175,718 during the week ended July 5.

Last week's output was 14.85 persent more than the prior week's 130,529 — a holiday week.

But last week's build was 4.18 percent below the year-ago week's 156,445.

Companies split last week's scheduled production as follows: General Motors, 57.79 percent; Ford Motor Co., 19.71 percent; Chrysler Motors, 13.81 percent; Honda of America Manufacturing Inc., 3.64 percent; New United Motor Manufacturing Inc., 2.49 percent; Volkswagen of America, 1.33 percent; and Nissan Motor Manufacturing Corp. U.S.A., 1.23 percent.

American Motors' Kenosha, Wis., plant was down last week for inventory adjustment. The plant is scheduled to resume production today (Sept. 15).

GM said its Oklahoma City and Framingham, Mass., plants are down this week because of a material shortage.

GM's Oldsmobile No. 1 and 2 plants in Lansing, Mich., were slated for two overtime shifts Saturday (Sept. 13).

Ford's Edison, N.J., plant was also scheduled for Saturday overtime.

All Ford plants except Lorain, Ohio, are scheduled for daily overtime this week. Lorain is down for model changeover until Sept. 22.

No Saturday (Sept. 20) overtime is scheduled at Ford plants.

Chrysler's Belvidere, Ill., and St. Louis No. 2 plants were slated for Saturday (Sept. 13) overtime.

The same plants are scheduled to work two nine-hour daily shifts this week.

Truck output off slightly

Last week's domestic production of 68,083 trucks slipped 1.50 percent from the previous week's 69,121.

The drop from the prior week — which included Labor Day — was due primarily to model-changeover downtime at Ford Motor Co.'s Wayne, Mich., plant. Wayne is slated to resume production Sept. 29.

Last week's targeted build was 5.24 percent below the 71,846 trucks assembled in the year-ago week.

General Motors scheduled two overtime shifts Saturday (Sept. 13) at its plants in Janesville, Wis.; Moraine, Ohio; Flint, Mich. (No. 1); and St. Louis.

Ford's St. Louis and Norfolk, Va., plants were slated for overtime Saturday.

All Ford plants except Lorain, Ohio, are scheduled for daily overtime this week (Sept. 15).

Ford's Kansas City and Twin Cities plants are slated for Saturday (Sept. 20) overtime.

Two overtime shifts were scheduled at Chrysler Motors' Warren, Mich., plant Saturday (Sept. 13).

The Warren plant is slated to operate two nine-hour daily shifts this week.

Production rises in Canada

Output of both cars and trucks in Canada last week was slated to top any week's build since late June.

Automakers targeted 25,538 units last week, the highest output since the week ended June 21, when 25,753 cars were assembled.

Truckmakers scheduled 14,686 units last week, more than any week since 16,564 the week ended June 28.

General Motors' car production of 13,550 last week was more than double the previous week's 6,512 — a four-day week.

The jump was due in part to increased output at both of GM's Oshawa, Ontario, car plants, after downtime for a parts shortage.

Last week's scheduled car production total was 88.89 percent higher than the previous week's 13,520 and 2.83 percent better than the year-ago week's 24,835.

Last week's truck output was 33.78 percent better than the prior week's 10,978 but was 19.43 percent below the year-ago week's 18,228.

Contributing to last week's gain was production at GM's Scarborough, Ontario, plant, which shot up to 1,594 from 365.

CANADIAN CAR	Week Ended Sept. 13, 1986	Week Ended Sept. 14, 1985	Week Ended Sept. 6, 1986	Sept. to Date	Jan. 1 to Sept. 14, 1986	Jan. 1 to Sept. 13, 1985
AMERICAN MOTORS	120	410	76	196	7,459	2,823
FORD MOTOR	11,643	10,039	6,752	18,395	350,899	364,553
GENERAL MOTORS	13,560	14,172	6,512	20,082	380,916	355,969
VOLVO	225	225	180	405	7,086	7,081
Total Cars, Canada	25,538	24,835	13,520	39,059	746,160	730,445
U.S. TRUCK*	Week Ended Sept. 13, 1986	Week Ended Sept. 14, 1985	Week Ended Sept. 6, 1986	Sept. to Date	Jan. 1 to Sept. 14, 1986	Jan. 1 to Sept. 13, 1985
CHEVROLET	22,007	20,848	18,344	40,351	539,555	631,745
DODGE	4,000	4,564	4,278	8,278	152,672	75,988
FORD	23,781	21,383	31,490	55,271	838,424	1,008,379
GMC	8,169	6,978	6,466	14,825	283,169	256,984
NAVISTAR	1,825	1,594	1,300	2,895	54,349	50,652
JEEP	4,400	5,954	3,470	7,870	152,191	128,133
NISSAN	1,751	2,564	1,433	3,184	75,540	84,179
AM GENERAL*	50	50	50	100	1,780	1,812
MISCELLANEOUS*	2,300	2,000	2,300	4,600	66,553	82,340
Total Trucks, U.S.	68,083	71,846	69,121	137,204	2,444,233	2,519,770
CANADIAN TRUCK	Week Ended Sept. 13, 1986	Week Ended Sept. 14, 1985	Week Ended Sept. 6, 1986	Sept. to Date	Jan. 1 to Sept. 14, 1986	Jan. 1 to Sept. 13, 1985
AMERICAN MOTORS	750	0	588	1,338	0	19,894
CHRYSLER	8,494	8,903	7,023	15,517	281,269	280,468
FORD	3,648	3,548	2,859	6,507	114,581	115,180
GENERAL MOTORS	1,594	365	1,277	1,959	200,779	173,980
NAVISTAR	200	0	143	343	8,397	6,620
Total Trucks, Canada	14,686	12,816	10,978	25,664	604,957	596,958
N. American Trucks	82,769	99,074	80,099	182,868	3,049,089	3,115,720

*—Estimate.
Canadian production includes Canadian-built units for U.S. market.
Canadian truck includes estimates for Mack, Volvo-White, Kenworth, Peterbilt, Freightliner, Mercedes-Benz, etc.
Weekly estimates may contain some error of one or two units due to rounding.

VW, BMW boost prices

By John K Teahen Jr.
AUTOMOTIVE NEWS STAFF REPORTER

The auto price spiral continued last week as Volkswagen United States and BMW of North America priced their 1987 models.

VW's hike amounted to $530 on the average-equipped car. It consisted of $438, or 4.2 percent, on the base car on a sales-weighted basis after adjusting for equipment changes and $92, or 5.8 percent, on optional equipment.

The BMW boost averaged $1,148, or 5.3 percent.

VW's increases ranged from $390 on the base Jetta sedans to $760 on the Vanagon GL Camper. For BMW, whose cars start above $20,000, the hikes ranged from $1,120 on the 325 two-door sedan to $3,200 on the 735i four-door sedan.

In the VW Golf line, the two-door and four-door hatchbacks (gasoline engines) rose $410 each, about 5 percent. The two-door now is $8,190; the four-door, $8,400.

VW said the Golf has been upgraded with a velour interior, aerodynamic headlights and aero steel wheels with finned trim rings. It is called the Golf GL for 1987.

The GTI went up $430 and is now $10,325.

Jetta models start at $9,290 for the base two-door and $9,520 for the base four-door, up $390 each. The fancier Jettas have steeper hikes — $505 for the GL four-door and $550 for the GLI four-door.

Golf and GTI are built at VW's plant in Westmoreland, Pa. Pilot production of the Jetta has begun at Westmoreland, and regular output will start in October.

On VW's imported cars, prices went up $555 on the Cabriolet (now $13,250); $420 on the Scirocco coupe (now $10,680) and $600 on the Quantum GL four-door sedan (now $14,985).

BMW's lowest-priced 1987 model is the 325e two-door sedan at $21,475, an increase of $1,120. Other 3-series units rose $1,150 to $1,430.

At the top of the BMW line, the 735i four-door sedan climbed $3,200; the L7 four-door rose $2,645; and the 635CSi coupe went up $2,660. The 1987 prices are 735i, $42,475; L7, $46,675; 635CSi, $46,965.

Record August sales reported by Yugo

Yugo sales numbered a record 4,135 in August to bring the year-to-date count to 18,994.

One of the two sales figures listed for Yugo in the Sept. 8 issue of Automotive News was incorrect.